

9 October 1985

MEMORANDUM FOR THE RECORD

FROM:

[Redacted]

Chief, Retirement Division

STAT

SUBJECT: Supplemental Retirement

1. The latest version of the Roth/Stevens' supplemental proposal (received from OLL on 8 October) has some changes from the previous versions, primarily in accrual rates and COLA's. The attached chart gives a quick comparison of the two options under the Roth/Steven proposal. In essence the accrual rates now average out to about 1% per year over a full career. (The 1.35% enhancement has been dropped). Special categories receive an (unreduced) flat 1% for all years of service plus a supplement equal to Social Security. Under these provisions I see no real incentive for special categories to voluntarily contribute to the basic plan. The COLA has varying formulas but the bottom line is Congress is still crunching numbers to get the total cost down to 21.9% of payroll. So this is all still subject to further change.

2. Also attached are some preliminary annuity comparisons of Roth/Stevens versus current systems. Recognizing these are still subject to change, it appears that in Special Categories (CIARDS) if employees contribute 10.7% (5.7% Social Security and 5% Thrift) they would accrue a slightly higher benefit at lower grade levels and a lesser benefit at the higher levels. Civil Service types contributing 13% (5.7% Social Security, 1.3% to Basic Plan and 6% Thrift) still do not equal current benefits at age 55. They do achieve some parity at lower grade levels at age 62 when Social Security kicks in. Added to these contribution rates, of course, would be the 1.3% to Medicare which everybody pays.

3. Ed Hustead advises that Congressman Ford will announce his plan on Thursday 10 October with hearings to be scheduled, probably 23 and 24 October 1985. He stated that the House version will be much higher in benefits than Roth/Stevens' and also confirmed that use of the Budget Reconciliation Bill as a vehicle for the retirement proposal is no longer under consideration.

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STAT

Comparison of Stevens/Roth Benefits with CSRS

Employee Entering in 1985 and Retiring at age 55 with 30 Years Service

Calculated in terms of 1985 Salary Scale

Preliminary Opt A - 1% accrual CPI of zero to 62; half to 67; full over

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$26,163	\$33,419	\$62,714	\$68,700

I. Stevens/Roth Plan

A. Initial Benefits

1. Defined benefit	\$6,070	\$7,753	\$14,550	\$15,938
	22.9%	22.9%	22.9%	22.9%
2. Defined contribution	\$4,798	\$6,129	\$11,501	\$12,599
	18.3%	18.3%	18.3%	18.3%
3. Social security	\$4,866	\$5,614	\$5,850	\$5,850
	18.6%	16.8%	9.3%	8.5%

B. Total benefit*

1. At 55	\$10,868	\$13,882	\$26,051	\$28,537
	41.5%	41.5%	41.5%	41.5%
2. At 62	\$13,125	\$16,163	\$25,646	\$27,536
	52.7%	50.9%	43.5%	42.6%
3. At 80	\$10,844	\$13,250	\$20,178	\$21,546
	39.6%	37.8%	30.3%	29.5%

C. Without defined contribution

1. At 55	\$6,070	\$7,753	\$14,550	\$15,938
2. At 62	\$9,479	\$11,506	\$16,907	\$17,962
3. At 80	\$9,044	\$10,951	\$15,864	\$16,820

II. Benefit from CSRS
if indexed at same rate

1. At 55	\$13,689	\$17,687	\$33,470	\$36,664
2. At 62	\$10,402	\$13,441	\$25,434	\$27,862
3. At 80	\$9,422	\$12,174	\$23,037	\$25,235

*Benefit if employee could and did contribute 5% of salary for all years of service.

10/07/85

Comparison of Stevens/Roth Benefits with CSRS

Employee Entering in 1985 and Retiring at age 55 with 30 Years Service

Calculated in terms of 1985 Salary Scale

Preliminary Opt B - 1% accrual CPI of half to 62; full over

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$26,163	\$33,419	\$62,714	\$68,700

I. Stevens/Roth Plan

A. Initial Benefits

1. Defined benefit	\$6,070 22.9%	\$7,753 22.9%	\$14,550 22.9%	\$15,938 22.9%
2. Defined contribution	\$4,798 16.0%	\$6,129 16.0%	\$11,501 16.0%	\$12,599 16.0%
3. Social security	\$4,866 18.6%	\$5,614 16.8%	\$5,850 9.3%	\$5,850 8.5%

B. Total benefit*

1. At 55	\$10,868 41.5%	\$13,882 41.5%	\$26,051 41.5%	\$28,537 41.5%
2. At 62	\$13,797 52.7%	\$17,021 50.9%	\$27,256 43.5%	\$29,299 42.6%
3. At 80	\$11,950 39.6%	\$14,663 37.8%	\$22,831 30.3%	\$24,451 29.5%

C. Without defined contribution

1. At 55	\$6,070	\$7,753	\$14,550	\$15,938
2. At 62	\$10,150	\$12,364	\$18,516	\$19,725
3. At 80	\$10,150	\$12,364	\$18,516	\$19,725

II. Benefit from CSRS
if indexed at same rate

1. At 55	\$13,689	\$17,687	\$33,470	\$36,664
2. At 62	\$11,917	\$15,398	\$29,137	\$31,918
3. At 80	\$11,917	\$15,398	\$29,137	\$31,918

*Benefit if employee could and did contribute 6% of salary for all years of service.

Comparison of Stevens/Roth Benefits with CIARDS

Employee Entering in 1985 and Retiring at age 50 with 25 Years Service

Calculated in terms of 1985 Salary Scale

Prelim Opt B - 1% accrual COLA of half to 62 and full over

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$23,983	\$31,660	\$59,230	\$68,700

I. Stevens/Roth Plan

A. Initial benefits

1. Defined benefit	\$5,324 22.2%	\$7,029 22.2%	\$13,149 22.2%	\$15,251 22.2%
2. Defined contribution	\$3,358 12%	\$4,432 12%	\$8,292 12%	\$9,618 12%
3. Social security and supplement from 50 to 62	\$3,717 16%	\$4,875 15%	\$4,875 8%	\$4,875 7%

B. Total benefit*

1. At 50	\$12,399 0.52	\$16,336 0.52	\$26,316 0.44	\$29,744 0.43
2. At 55	\$11,299 0.47	\$14,884 0.47	\$23,600 0.40	\$26,594 0.39
3. At 75	\$9,175 0.34	\$12,080 0.34	\$18,353 0.27	\$20,508 0.26

C. Without defined contribution

1. At 50	\$9,042	\$11,904	\$18,024	\$20,126
2. At 55	\$8,540	\$11,241	\$16,785	\$18,689
3. At 75	\$7,915	\$10,417	\$15,243	\$16,901

II. Benefit from CIARDS

if indexed at Opt B formula

1. At 50	\$11,269	\$15,019	\$27,837	\$32,590
2. At 55	\$10,206	\$13,603	\$25,213	\$29,518
3. At 75	\$8,885	\$11,843	\$21,949	\$25,697

*Benefit if employee could and did contribute 6% of salary for all years of service.

Comparison of Stevens/Roth Benefits with CIARDS

Employee Entering in 1985 and Retiring at age 50 with 25 Years Service

Calculated in terms of 1985 Salary Scale

Prelim Opt A - 1% accrual COLA of 0 to 62; half to 67; full over

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$23,983	\$31,660	\$59,230	\$68,700

I. Stevens/Roth Plan

A. Initial benefits

1. Defined benefit	\$5,324 22.2%	\$7,029 22.2%	\$13,149 22.2%	\$15,251 22.2%
2. Defined contribution	\$3,358 14%	\$4,432 14%	\$8,292 14%	\$9,618 14%
3. Social security and supplement from 50 to 62	\$3,717 16%	\$4,875 15%	\$4,875 8%	\$4,875 7%

B. Total benefit*

1. At 50	\$12,399 0.52	\$16,336 0.52	\$26,316 0.44	\$29,744 0.43
2. At 55	\$10,853 0.47	\$14,295 0.47	\$22,498 0.40	\$25,316 0.39
3. At 75	\$7,989 0.34	\$10,514 0.34	\$15,424 0.27	\$17,111 0.26

C. Without defined contribution

1. At 50	\$9,042	\$11,904	\$18,024	\$20,126
2. At 55	\$8,093	\$10,652	\$15,683	\$17,411
3. At 75	\$6,729	\$8,851	\$12,314	\$13,503

II. Benefit from CIARDS
if indexed at Opt A formula

1. At 50	\$11,269	\$15,019	\$27,837	\$32,590
2. At 55	\$9,262	\$12,345	\$22,880	\$26,787
3. At 75	\$6,375	\$8,497	\$15,748	\$18,437

*Benefit if employee could and did contribute 5% of salary for all years of service.

Comparison of Stevens/Roth Benefits with CIARDS *10/07/85*

Employee Entering in 1985 and Retiring at age 50 with 25 Years Service
Calculated in terms of 1985 Salary Scale

Prelim Opt B - 1% accrual COLA of half to 62 and full over

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	23,953	37,660	54,230	68,700

I. Stevens/Roth Plan

A. Initial benefits

1. Defined benefit	5,324	7,629	13,144	15,251
2. Defined contribution	2,933	3,818	7,255	8,415
3. Social security and supplement from 50 to 62	3,711	4,875	4,815	4,875

B. Total benefit*

1. At 50	11,979	15,782	25,277	28,541
2. At 55	10,953	14,428	22,747	25,604
3. At 75	9,617	11,872	17,964	20,656

C. Without defined contribut:

1. At 50	9,041	11,904	18,024	20,126
2. At 55	8,539	11,241	16,784	18,688
3. At 75	7,914	10,417	15,242	16,902

II. Benefit from CIARDS

if indexed at Opt B formula

1. At 50	\$11,269	\$15,019	\$27,837	\$32,590
2. At 55	\$10,206	\$13,603	\$25,213	\$29,518
3. At 75	\$8,885	\$11,843	\$21,949	\$25,697

*Benefit if employee could and did contribute 6% of salary for all years of service.

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Comparison of Stevens/Roth Benefits with CSRS

Employee Entering in 1985 and Retiring at age 55 with 30 Years Service

Calculated in terms of 1985 Salary Scale

Preliminary Opt B - 1% accrual CPI of half to 62; full over

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale				

I. Stevens/Roth Plan

A. Initial Benefits

1. Defined benefit	7058	9015	16,918	18,532
2. Defined contribution	4198	5362	10,063	11,024
3. Social security	1866	5614	5,550	5,850

B. Total benefit*

1. At 55	11,256	14,377	26,981	29,556
2. At 62	14,200	17,536	28,225	30,360
3. At 80	12,585	15,473	24,352	26,118

C. Without defined contributio

1. At 55	7058	9015	16,918	18,532
2. At 62	11,010	13,462	20,578	21,983
3. At 80	11,010	13,462	20,578	21,983

II. Benefit from CSRS if indexed at same rate

1. At 55	\$13,689	\$17,687	\$33,470	\$36,664
2. At 62	\$11,917	\$15,398	\$29,137	\$31,918
3. At 80	\$11,917	\$15,398	\$29,137	\$31,918

*Benefit if employee could and did contribute 6% of salary for all years of service.